

spend ourselves into prosperity. We are, indeed, hardwired differently than each other.

I watched one of the leaders the other day come out onto the floor. He was carrying on about how bad the balanced budget amendment was. He said it would be an admission of the failure of this institution to be able to do its job. It would be abdicating our ability to do our job. Look around. We are \$14.3 trillion in debt. Do you think the American people think we are doing our job, when we are at \$14.3 trillion in debt and now debating adding another \$2.4 trillion to that? If a person comes and spends a little bit of time here, they will understand this institution cannot budget and do so responsibly. Given the opportunity, it will spend and spend and spend and the only way this can be changed is if we have a balanced budget provision in the Constitution just as virtually every State in America has. We are going upside down at a rate of \$4 billion to \$5 billion a day. We are borrowing new money, \$4 billion to \$5 billion a day. That is about 12 hours of the entire annual budget for the State of Idaho. This can't go on. The way to fix it is with a balanced budget requirement that puts a new rule in place, and we need rules, we need sideboards when it comes to spending money.

I wish to thank the Senator for providing us with this opportunity. Those of us who have actually lived in the real world where we could not print money, we could not borrow the kind of money we are talking about here, where we had to make responsible decisions—it is time this government did that, and the only way it is going to do that, regardless of flowery speeches given during campaigns—oh, send me to Washington; I will take care of this; I will see we balance the budget; I won't overspend—they come here and do it. The only way this can be done is to balance the budget. Without a balanced budget amendment to the Constitution, we can't do this.

The American people have to do this. We can vote to ask the American people: Do you think we should have a balanced budget amendment to the U.S. Constitution? Let's find out. Let's find out. There can't be anything wrong with giving the American people the ability to do this. It takes three-fourths of the States to ratify this. Let's give them the opportunity. Let's have the debate. Let's pass this and give it to the States and see if they want to do it.

Thank you very much. I appreciate the opportunity.

Mr. JOHANNIS. Let me wrap up this colloquy this morning by thanking each one of my colleagues for their comments.

Governors are practical people. We have to be. We have no choice. If jobs are going to be created in our States, we must lead that effort—not by jawboning and indicting the business community but by creating the atmos-

phere that creates those jobs. If we are going to have a balanced budget, we must lead that effort at the State level. Every Governor who has had an opportunity to speak this morning in this colloquy has made that point. At the end of the day, when our legislative sessions were over, we had to be able to tell the people of our great States that we passed the budget; that the budget was, in fact, balanced; and, for some of us, that we did not borrow any money whatsoever to get that job done. We could learn something in Washington from that.

This is not a radical idea. All the rhetoric we have heard about what a radical, crazy idea this is—well, how can it be so radical if 49 out of 50 States have decided this is the right course and the right direction for their State governments? I can't imagine the American people want anything less for their Federal Government. And, as Senator RISCH has just pointed out, why would we not give the American people the opportunity to cast their vote on how best to manage their government—their government?

With that, I yield the floor, and I note the absence of a quorum.

The PRESIDING OFFICER (Mr. TESTER). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. REED. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

DEBT CRISIS

Mr. REED. Mr. President, I rise today to talk about the regrettable and avoidable looming debt crisis if we don't take appropriate and timely steps beginning today and continuing over the next few days.

As we continue to work to get our economy out from under a protracted and painful recession and on a more robust path of growth and job creation, not having an agreement to pay our country's bills has severe consequences. Defaulting could mean not only a potential stoppage of Social Security and veterans' benefits checks, but even more worrying than what could happen to bondholders and the middle class is the question of whether this could push us back into not only a severe recession but a worldwide economic catastrophe.

We can look across at European governments struggling with sovereign debt crises. Also, one of the lessons we should have learned from the events of 2008, and particularly that fall, is that a lack of confidence and a vulnerability in one part of the world's financial systems can be magnified dramatically because of connections and interrelationships and could potentially produce a worldwide crisis.

So this is an issue we have to address. A failure to act would cripple our government almost immediately.

In August, if there is not a solution, it is estimated that spending in the economy could contract immediately from 40 to 50 percent. That means the U.S. economy would be hit with a loss of about \$134 billion or about 10 percent of GDP for the month of August if we fail to find a solution. A 10-percent loss to August's GDP could bring our credit markets to a standstill and could lead to the loss of millions of additional jobs.

One of the ironies of this debate is that the proposal by some on the other side to simply not pass debt limit legislation would be tolerable. In fact, it would be catastrophic. It would be catastrophic in terms of the very objective they are urging—controlling the deficit. As people drop out of the labor force, they require more benefits. They are not able legally or in a position to pay the taxes they were paying while working. In addition to that, it has been estimated that for every 1 percent increase in interest rates—and if we default, interest rates will go up on U.S. Treasuries—we will over 10 years accumulate \$1.3 trillion in additional deficit. So in one fell swoop, the deficit hawks who are screaming so loudly today could put us on an even worse deficit trajectory.

We all know the job of bringing this budget into alignment is not going to be easy. It involves many tradeoffs, some of which are likely to be very unpopular. It started in 1990, when Republicans joined us in a balanced approach. Along with my colleagues who served here in the 1990s under President Clinton, we then took some tough votes with not one Republican vote in support of us in 1993 when the process of balancing the budget continued. It takes time. It takes difficult votes. It was done in the 1990s.

As we all know, when President George W. Bush assumed office, we were looking not at massive deficits, we were looking at a potential surplus of trillions of dollars over a 10-year period. But with the programs that President Bush, together with his Republican colleagues, embraced, of significant tax cuts, an expansion of entitlements, such as Part D Medicare which was not paid for, which was put on the credit card, and two unfunded wars, we are sitting today with this huge deficit.

Frankly, this proposal to raise the debt limit is very simply paying for what President Bush and Republican Congresses did several years ago. Yet we find my colleagues on the other side saying: Oh, we cannot do that. We cannot do that without significant reductions in programs that are vital to Americans.

We have already demonstrated—we did that in a continuing resolution that is covering this year's funding—we can and will make difficult cuts. We can reduce spending. But we have to do it in a measured way. The other thing we have to do is recognize that any solution, just as it was in the 1990s, will

require revenues as well as expenditures. That is the only way the arithmetic will work.

I find it sometimes ironic when I go around and talk and they say: Oh, if we don't solve this problem, you are putting all this burden on our grandchildren. Where was that spirit when the President cut taxes and began to eliminate a surplus that would have benefited our grandchildren? Where was that spirit when the President decided to engage in two major wars but not pay for them? Where was that spirit when the President decided he was going to expand entitlements and not pay for them? There were very few of my colleagues on the other side worrying about grandchildren then.

Well, we do have to worry about our grandchildren. That means we have to start taking the tough steps today. We have to start making the sacrifices that will get our budget in order. Those sacrifices are not simply in cutting programs that are so vital not only to so many Americans but are so vital to our continuing economic growth.

I am sure everyone here will say they have important highway projects in their States, they have important infrastructure projects in their States. Do we sacrifice those projects? If we do, then we sacrifice our economic efficiency, we sacrifice our productivity, and we give the results to our grandchildren: a decrepit infrastructure, with the inability to be competitive in a very competitive global economy.

We have to move forward. We have to move forward to avoid a catastrophe to the economy if the debt ceiling is not raised. Also, we have to move forward to begin to balance our budget in the way it has been done in the past and, frankly, in the way it only can be done; that is, we have to start, beginning today, to make the sacrifices and make the tough choices that will provide a better future for our grandchildren.

We have done it in the past. In 1990 and 1993 we took tough steps, as I mentioned before, to begin to balance the budget. And in 1997, with a Republican Congress and a Democratic President, we took additional steps. We can do it, and we must do it.

The idea that we are going to default is difficult to imagine, but, still, there are those out there on the other side who are saying they will not vote for raising the credit limit in any way, shape, or form. I think that is irresponsible. I think we have to be responsible. We have stood up before. We have taken tough votes. We have to do it again.

Failing to do that puts a huge burden on the middle class. The wealthiest amongst us may be able to negotiate through the vagaries of what might happen after a credit default by the United States, but for Social Security recipients, for military retirees, for those people who are looking for the basic services of government—transit to get to work, the ability to get on a plane—who is going to be manning the

TSA posts if the government cannot essentially pay its debts? All these issues have to be considered.

We have to, as I said, talk about revenues too. It is astounding that people would literally be suggesting we cut back Social Security benefits, that we cut back retirement benefits, that we do all these things at the same time we are providing about \$4 billion in annual tax incentives to the oil industry, when the price of oil is at record levels, their profits are at record levels. These are a host of tax provisions that do not make us anymore productive. In fact, one might argue they do not even encourage employment here in the United States. One could make the suggestion, at least the way we set up the system, that it might encourage employment overseas, and then we repatriate the profits here. Well, that might be fine for the big companies and the executives, but what about Americans who are looking for jobs? What about Americans who are looking just to get by?

We also have to recognize that some of the proposals we have made—in fact, all of them the President has talked about with respect to revenues—would not be effective immediately because we are still in a period of very fragile economic growth. They would be effective in 2013. But they would go to that long-term goal of deficit reduction, which we can achieve, but it will take time, just as it took time in the 1990s.

But even these proposals to close loopholes, which are, in my view, very difficult to defend—and to do so not immediately but several years from now—even these proposals are being resisted by Republicans. That does not make sense to me. I also do not think it makes sense to a growing number of Americans across this country. They want us to be responsible. They want us to be able to pay our debts. Then they want us to get our debts under control. They recognize that requires not just good will and good wishes, it requires real, difficult choices and sacrifices.

We are seeing now an economy that is racking up huge profits for industry. The nonfinancial members of the S&P 500 index are sitting on about \$1.1 trillion in cash. The Federal Reserve indicated similarly that nonfinancial businesses have about \$1.9 trillion in cash defined as liquid assets.

Record profits are being accumulated by corporations. All of this is good, but it is much better if those cash resources and profits are put back into the American economy in terms of creating jobs. That should be part of our effort too, not simply reducing the deficit, but reducing it in a way where we grow jobs here in the United States. That is also at the heart of what the President is talking about in terms of his efforts.

We are on the verge of tough votes and tough choices, and I hope we make those tough choices and tough votes. We do have to pay our debts, but then we have to get our debt under control.

We have done it. We did it in the 1990s. I would argue without some of the policies that were enthusiastically embraced by many who are here today, who are talking about sacrifice for the middle class but no sacrifice for the very wealthy, we would not be in the same position we are in today.

I believe we are at a very critical moment. We have to resolve this issue by August 2. I hope we can do that. I hope it will turn on the same kind of sensible, balanced approach that we adopted previously in the 1990s. We have to go ahead and think in terms of restoring our financial house and then getting our American people back to work. If we do that, I think we will fulfill not only the best hopes and wishes of the American people but their strong desires.

With that, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DURBIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DURBIN. Mr. President, are we in morning business at this time?

The PRESIDING OFFICER. We are.

Mr. DURBIN. I thank the Chair.

Mr. President, we know as Members of the Senate we are facing a deadline of August 2 for the extension of our debt ceiling. What is it?

The debt ceiling is the authority Congress gives to the President to borrow money. You say to yourself: Well, please stop borrowing. We are already deep in debt. But what the President is borrowing money to pay for what we have already spent money on, commitments we have already made.

Let me give you an example. Voting to continue the war in Afghanistan costs \$10 billion a month. We do not have that money—not enough. We have to borrow 40 cents for every \$1 we spend. So when Members of Congress say: Continue the war in Afghanistan at \$10 billion a month, they are saying we are prepared to borrow \$4 billion every single month to keep that promise.

The President comes to us about once a year and says: I need more authority to continue to borrow money to pay for the things you have asked us to do. That is what it comes down to.

Nobody likes to vote for the debt ceiling because it is so widely misunderstood. Most people basically say: I don't want to be associated with it. I have been guilty of that in my political career. But the fact is, most of us look over our shoulders at the final vote and say: We better pass this darn thing because if we don't, we will default on our debt.

The full faith and credit of the United States of America is like our credit score. Guess what. We have the best in the world. Of all governments

in the world, we have the best: triple A. It does not get any better, and it has always been there, and that has helped us. It has helped us not only to borrow money at lower interest costs, but the fact that our economy is looked on as so reliable attracts more businesses to our country.

So if on August 2 we default on our debt for the first time in our history, our credit score is going to suffer. The people who loan us money are going to say: We never dreamed the United States of America would fail to make a debt payment. If they are going to fail to make a debt payment, then we are going to have to raise the interest rates because they are riskier than we thought they were.

What happens when you raise the interest rates on the United States of America borrowing money? Every percentage point—every 1 percentage point—adds \$130 billion a year to our national debt; and over 10 years, 10 times that amount: \$1.3 trillion every 10 years for every single percentage point.

So is it important to extend the debt ceiling? You bet it is; otherwise, our debt goes up, our credit rating goes down.

There is another unfortunate consequence. As the debt of America requires a higher interest payment because we have defaulted, interest rates go up all across America—in Montana, in Illinois, in every State. People who are borrowing money to run a farm, such as our Presiding Officer, to buy a car or buy a house will pay more in interest.

Is that is a good thing? Of course not, particularly in a weak and recovering economy, with 9 million people out of work, maybe 14 million if you add those who are only partially employed. With 14 million people out of work and interest rates going up, businesses do not expand as they should, people do not buy. They put it off because interest rate costs are that much higher. That is what this is about. That is what the August 2 deadline is about.

But it is about something more. It is about the debt of this Nation, which is a serious issue. We are now in a position where, as I mentioned earlier, we borrow 40 cents for every \$1 we spend. We borrow it from Americans who buy our Treasuries and securities, and we borrow it from countries around the world who buy our debt.

The leading creditor of the United States of America is China. The leading competitor of the United States of America is China. Put those two things together and realize our vulnerability as our debt grows larger and our indebtedness to countries such as China grows larger. That is not good.

Plus, my son, daughter, my grandchildren, and yours will end up paying this debt. They will pay in their lives for what we are spending today. Some of those will benefit them, but some won't. What we will consume, they will pay for. That is not fair.

If we are going to deal with this debt, there is only one rational way to do it. About a year and a half ago, HARRY REID appointed me to the Bowles-Simpson debt commission. We met for 10 months and came up with a conclusion—18 members—and 11 voted for it. We said that if we are going to reduce this debt in a meaningful way over the next 10 years, we need to put everything on the table—everything. That is painful. It means putting on the table what I have fought for as a Member of the House and Senate, and believe in, and I still do, but we have to look at them.

Is there a way to save money, to economize, to spread the burden of responsibility and sacrifice so that it is fair in America? Some say: No, we are not going to put everything on the table.

Our talks have broken down recently with the Republican leadership over whether, under any circumstances—and I underline the word “any”—the wealthiest in America should pay more in taxes. They say: No, not a penny.

I don't think that is right. I think if we are going to deal with our debt and deficit in a meaningful way, those who are well off and comfortable in this great Nation should help us. They need to sacrifice if we are asking the same of working families and everyone else across the board. So this notion of no revenue, no tax increase is, in my mind, shortsighted and won't lead us to where we need to be.

We also have to put entitlements on the table. That is when we start getting nervous on the Democratic side. We know what the House budget does to Medicare. Frankly, I voted against that, and I would vote against it anytime it is brought before us.

What it does is dramatically change Medicare as we know it. For about 40 million Americans, that is their only health insurance. They are folks who are over 65, many with medical conditions, and they are uninsurable or certainly they cannot be insured at a premium rate they can afford. Medicare is there for them, and it has been for over 50 years. So the notion in the House Republican budget that we would double the out-of-pocket expenses for Medicare recipients and beneficiaries up to \$6,000 a year is just something most people can't do. You know, if you are wealthy in your retirement, that is one thing. Most people are just living paycheck to paycheck on Social Security, with meager savings. The notion of spending \$6,000 a year out of pocket for Medicare is beyond them. I reject that House Republican budget.

Are there ways to save money in Medicare? Yes. We created a Medicare prescription drug program and said that finally we are going to help pay for the prescription drugs of seniors because if they get their medicine and they take it, they are well, they don't go to the hospital, and then their lives are better and our costs are lower. So it is better to give them the medicine

they need and help them pay for it. We created the plan with private health insurance companies right in the coverage for this prescription drug benefit under Medicare.

What many of us thought we should do is allow the Medicare system itself to offer a prescription drug benefit. We should model it after the Veterans' Administration, where the VA buys prescription drugs in bulk at a discount so that their veterans can get the benefit of those bulk purchases. We can do the same on Medicare and leave it up to individuals across America to pick the plan they want. If you want to go with the private health insurance when it comes to prescription drug benefits, that is your choice. If you want to go with the Medicare benefit, that is your choice. That choice could save us \$100 billion a year. That is a lot of money. We can end up with savings there, helping to reduce the deficit, and not compromise the basic promise of Medicare prescription drugs.

The same is true with Social Security. This is where it gets very tricky, and a lot of people start heading for the exits. Here is the reality. Social Security as currently written, with no changes whatsoever, will make every promised payment to every beneficiary for 25 years, with an annual cost-of-living increase. You can't say that about anything else in government. But what happens at the end of 25 years? Unless something intervenes, at that point the Social Security benefits drop 22 percent. That is a big hit for folks living on Social Security.

So what can we do today, 25 years in advance—a small thing—to Social Security that will build up the solvency and life of Social Security for even more years?

I think that is an honest challenge. We should view it as an honest challenge not to eliminate Social Security but to say to the generation of younger workers in America that it is going to be there, and you will be lucky that it is there because a lot of seniors today can tell you the story of their lives. They paid into Social Security, and they now receive the benefits, but what happened to their other plans for retirement? Well, that little 401(k) or IRA or SEP plan took a hit a few years ago, and they lost about 30 percent of their value. Many Americans with the pension plans—some of their companies went out of business, and they walked away from those plans.

Social Security is still there, and we want it to be there in the future. We can strengthen Social Security and give it a longer life. We can find ways to strengthen Medicare and give it a longer life and still be committed to the basic mission of these entitlement programs. That has to be part of this conversation.

I have spent the last few months following up on the Bowles-Simpson deficit commission, meeting with a number of my Senate colleagues, three on the Democratic side and three Republicans. We have tried to take the

Bowles-Simpson proposal and put it into language that works, make it work. So we have been at it for a long time. We have had our ups and downs. One of our members left, then came back. It is a tough assignment. It is not easy. Sometimes emotions run high because there are things of great value and importance that are being discussed.

Something happened this morning that was perhaps historic. We took our plan, which still is short of completion, and we invited every Member of the Senate—Democrats and Republicans—to come listen to a description of the plan. If I am not mistaken—and Senator WARNER is here—it was 49 Senators who came. There were no fist-fights and no swearing. Instead, Democratic and Republican Senators sat in that room—49 of them—and listened to the outline of this proposal from this group of 6 and came out with a positive feeling—not all of them. I am not suggesting they all signed up. I would not expect that to happen. But it is significant at this moment in our history that so many felt positive toward what we were doing. I hope we can take it to another level.

In the meantime, we have an important responsibility. We need to extend the debt ceiling. We cannot compromise the whole faith and credit score of the United States. We cannot let interest rates go up and raise our debt. We cannot let interest rates go up and kill the recovery that is taking place in this economy by killing jobs. We need to do our part here and solve this problem on a bipartisan basis. I hope we can fold into that, as a critical element, a plan to move forward in dealing with our debt.

Senator REID, the Democratic majority leader, and Senator MCCONNELL, the Republican minority leader, are working together. America should take heart that they are trying to find a way through a difficult political challenge. The clock is running, and we have to get it done.

Today, we have a largely empty Chamber, as we prepare for a debate on a Republican alternative, which I will oppose and speak against, and I will tell you why. It is not going to pass. We know that. But we have said to Republicans: We will give you your chance to make your case. That is all any of us can ask in the Senate. My plea to the Republican side of the aisle is, let's do this in a time-efficient manner. Let's not waste time. Let's try to get to a good, healthy debate and a vote and move to extend the debt ceiling on a bipartisan basis. If we don't and if the rating agencies which downgraded us last week come back and hit us again, it will hurt this economy and the families and businesses that count on us to make the right and important decisions on a timely basis.

I urge my colleagues on the Republican side, wage a spirited debate on what you believe in, and we will too, but let's not draw this out for days and

weeks. We have to get down to business.

I yield the floor.

The PRESIDING OFFICER (Mr. WEBB). The junior Senator from Virginia is recognized.

Mr. WARNER. Mr. President, I commend my colleague, the Senator from Illinois, for his comments. I affirm his sentiments.

We have two problems in front of us right now—one intermediate problem: raising the debt ceiling. If we have a downgrade in our debt, there will be a tax increase on every American family, every American business, in the cost of higher interest rates. We have to get that raised, which is something I have been advocating for over a year.

We have to take a second step—to put into place the long-term deficit reduction plan. The Senator from Illinois and I and others have been working on this. The Senator from Georgia and I started this over a year ago. We had I believe virtually half of the Senate who came and said it is not perfect, but this makes sense as a way to move forward. We have to do our jobs.

I particularly thank the Senator from Illinois, who has worked so hard on preserving the safety net in these discussions.

Some of my colleagues on the Republican side have recognized that we have to sort through a way to reform our Tax Code in a meaningful way. These are acts of political courage, and I commend them both.

With that, I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. SANDERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

BUDGET NEGOTIATIONS

Mr. SANDERS. Mr. President, the issue that is under discussion in Washington on deficit reduction is of enormous consequence. It will impact not only our generation but the decisions reached will impact our children and our grandchildren and the future of our country. It is terribly important the American people become engaged in this debate. I fear if they do not, if we leave the discussions totally to folks inside the beltway, the results will be a disaster for tens of millions of working families, for the elderly, for the sick, for the children, for the environment, and for the future of our Nation.

So my plea today is for the American people to get heavily involved, to get on the phone and call their Senators and their Members of Congress to demand not that the budget deal that is reached is a big deal or a small deal or a medium-sized deal but that the budget agreement that is reached is a fair deal—one that reflects the values of

our country, one that understands what is going on in the economy today, and one that addresses the issue of how we got into this horrendous deficit situation in the first place.

When we talk about a fair deal, one has to understand what the American economy is today, and that is that we have a middle class that is collapsing; we have poverty increasing; and we have a growing gap between the very wealthiest people in our country and everybody else. To my mind, at a time when the rich are doing phenomenally well, when corporate profits are extremely high, when the effective tax rate for the wealthy is the lowest in modern history, and when we have many corporations making billions of dollars in profits and paying nothing in taxes, it would be immoral and bad economic policy to move toward a deficit-reduction approach which balances the budget on the backs of working families, the elderly, the sick, and the poor, and that does not ask the wealthiest people or the largest corporations to contribute one nickel to deficit reduction. That would be absolutely wrong.

Mr. President, one of the areas that concerns me very much is that in the midst of all of this deficit-reduction talk, seemingly out of nowhere comes the idea we must make major cuts in Social Security benefits. That is absolutely wrong for a number of reasons.

No. 1, Social Security has not contributed one nickel toward our deficit. The Social Security trust fund has a \$2.6 trillion surplus. Social Security can pay out every benefit owed to every eligible American for the next 25 years. So it is wrong, wrong, wrong to make significant cuts in Social Security a part of deficit reduction. It is wrong because Social Security hasn't contributed to the deficit; it is wrong because President Obama specifically campaigned against any cuts toward Social Security; and it is wrong because cutting Social Security would hurt in a very significant way millions of the most vulnerable people in our country.

There is a discussion going on about moving toward a so-called Chained CPI, which would be used to determine Social Security's annual COLA—a new formulation on the COLA. Let me be very clear. When I was in the House, I introduced bipartisan legislation to strengthen the Social Security COLA because I believed then, and I believe now, the current COLA is inadequate and unfair to seniors because it does not take into account the high cost of health care and prescription drugs.

In my view, the current COLA formulation understates what seniors and disabled vets should be getting. What some are proposing in terms of moving toward a Chained CPI would be to move us in exactly the wrong direction. It would not adequately reflect the purchasing needs of seniors but, in fact, would underestimate those needs.

The Social Security Administration's Chief Actuary estimates the effects of